

Service Date August 30, 1974

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA
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| IN THE MATTER OF the Application |) | UTILITY DIVISION |
| of THE MONTANA POWER COMPANY for |) | |
| authority to adopt new rates and |) | DOCKET NO. 6221 |
| charges for natural gas service. |) | ORDER NO. 4147 |
| |) | |
| |) | |

The above matter came on for public hearing on July 9, 1974, before this Commission. Due and proper notice of this proceeding was given as prescribed by the law of the State of Montana and reasonable opportunity for participation by the Montana Consumer Counsel and all interested parties or their representatives was afforded in this proceeding.

Notice of hearing was given by mailing copies of the formal notice to governing officials of all towns served by Montana Power Company; by serving all industrial contract customers of Montana Power Company; by mailing to the offices of county commissioners of all counties of the State; by publication in the legal advertising section of all five daily newspapers of general circulation published in the State of Montana; by disseminating news releases to every radio and television station in the State of Montana; and by sending a copy of general news releases to daily and weekly newspapers published in the State.

On April 5, 1974, The Montana Power Company (hereinafter referred to as Applicant) filed an application for authority to increase rates and charges for natural gas service furnished all of its customers in Montana. Petitions to intervene by the Montana Consumer Counsel, The Anaconda Company, Ideal Basic Industries, Inc. and Stauffer Chemical Company were duly granted. A Pre-Hearing Conference was conducted by the Commission with all parties represented on June 17, 1974 and pursuant thereto Applicant served copies of its exhibits and supporting direct testimony upon all parties in advance of hearing.

The Montana Consumer Counsel served and filed a Motion for Continuation of Hearing on June 27, 1974, which the Commission denied on July 1, 1974.

Whereupon the hearing commenced as duly noticed at 10:00 A. M. on July 9, 1974, in the Senate Chamber of the State Capitol Building, in Helena, Montana and continued through July 10, 1974, at which time the Commission granted each party to this contested case until July 22, 1974, to submit Proposed Findings of Fact and Conclusions of Law and briefs, whereupon the matter was taken under advisement by the Commission.

APPEARANCES: For the Applicant

Robert D. Corette, Attorney at Law,
Professional Building, Butte, Montana 59701

John J. Burke, Attorney at Law,
40 East Broadway, Butte, Montana 59701

Robert P. Gannon, Attorney at Law
40 East Broadway, Butte, Montana 59701

Protestants

Geoffrey L. Brazier, Attorney at Law,
330 Fuller Avenue, Helena, Montana 59601,
appearing as the Montana Consumer Counsel

William E. O'Leary, Attorney at Law, Power Block, Helena,
Montana 59601, appearing on behalf of the Montana Consumer
Counsel.

Other Appearances

James A. Robischon, Attorney at Law,
Silver Bow Block, Butte, Montana 59701
appearing on behalf of The Anaconda Company,
as its interests may appear.

Michael J. Hughes, Attorney at Law,
406 Fuller Avenue, Helena, Montana 59601,
and
James L. White, Attorney at Law,
500 Equitable Building, Denver, Colorado 80202,
appearing on behalf of Ideal Basic Industries,
Inc. and Stauffer Chemical, as their interests
may appear.

Earle E Garrison, 725 Central Avenue,
Great Falls, Montana 59401, appearing

on behalf of the Great Falls Gas Company,
as its interests may appear.

Jimmy Shea, Walkerville, Montana 59702

Walter J. Reisig, Billings, Montana 59101

For the Commission

Terry Hanson, Counsel

Charles Dickman, Counsel

Dennis Crawford, Administrator, Utility Division

James Winchell, Auditor, Utility Division

William Opitz, Engineer, Utility Division

BEFORE: Louis G. Boedecker, Chairman
 Ernest C. Steel, Commissioner
 Robert E. McTaggart, Commissioner

During the hearing the Applicant introduced eleven exhibits and entered the testimony of three witnesses. The Montana Consumer Counsel presented the testimony of one witness but offered no exhibits. Ideal Basic Industries, Inc. and Stauffer Chemical Company, each presented the testimony of one witness and Ideal introduced two exhibits; Stauffer, one exhibit. Testimony was also given by Jimmy Shea and Walter Reisig.

BY THE COMMISSION:

The Company in its application requested permission to increase rates for natural gas service to all classes of customers on an equal MCF basis by the amount of increased expense incurred by the Company in the cost of purchased gas both in Montana and Canada and by the increased expense incurred by the Company by increased royalty payments in both Montana and Canada.

The Company has made it perfectly clear that it was not applying under the "Cost of Purchased Gas Adjustment Clause" contained in Order No. 4068, Docket No. 6100. Rather, the Company applied for authority to increase rates in the same amount as the increase in specific expense items namely, cost

of purchased gas and royalty payments.

The Commission believes it is important to note that under previous reporting requirements of the Commission, which will be implemented further in this Docket, the Company will not allowed to increase rates until the expense has been actually incurred.

DETERMINATION

The Commission has determined that by authorizing the Company to increase its rates and charges for natural gas service in the same amount as the increased cost of purchased gas and the increased cost of royalty payments both in Canada and in Montana will not result in the earnings of the Montana Power Company being increased by this authorization.

The Commission further has determined that the increased or decreased costs on or after July 1, 1974, should be reflected equally in increased or decreased rates to all classes of customers on an MCF basis.

After carefully considering all evidence presented in this Docket and weighing all the briefs filed by parties hereto and for the reasons stated above, the Commission makes the follow:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. That the Montana Power Company is a public utility furnishing electric, gas and water service in the State of Montana and is subject to the jurisdiction and authority of this Commission.

2. That the Applicant requested approval on April 5, 1974, of certain rate changes for natural gas service to all of its customers in the State of Montana which include its residential, non-residential, small utility contract, and interruptible industrial contract customers and all customers

of Great Falls Gas Company. Thereafter Applicant filed with the Commission for approval new contracts or amended existing contracts with most of its interruptible industrial customers whereby they agree to bear the increased purchased gas and royalty costs proportionate to their respective gas usage of Applicant's total market after July 1, 1974.

3. That the increased cost of gas purchased from Canadian suppliers incurred by Applicant after July 1, 1973, and prior to June 1, 1974, is being passed on only to its industrial contract customers and non-residential general service customers and the contract customers and non-residential customers of the Great Falls Gas Company pursuant to Order No. 4114 in Docket No. 6193 implementing the "Cost of Purchased Gas Adjustment Clause" prescribed in Order No. 4068 in Docket No. 6100.

4. That Applicant is not invoking said cost of purchased gas adjustment clause in seeking approval of new rates and charges for gas service rendered to all of its customers to recover its increased cost of purchased gas and royalty expense for the gas supplied to its market in Montana commencing July 1, 1974.

5. That gas required to supply Applicant's market is both purchased from gas producers or pipeline suppliers in Alberta, Canada and the State of Montana and produced from lands leased from the Province of Alberta, the State of Montana and other mineral owners.

6. That the price of this gas supply, necessary for Applicant to serve its customers in Montana, is increasing significantly as of July 1, 1974, when the cost of gas purchased from Alberta and Southern Gas Company, Ltd. at the Carway point of importation is projected to increase on an annual basis by \$8,760,611 for the year beginning July 1, 1974; and the cost of gas purchased from Montana sources is projected to increase on an annual basis by \$1,214,547 during the year beginning July 1, 1974; and the royalty paid by Applicant for the mineral owners' share of gas produced to

supply Applicant's customers is projected to increase on an annual basis beginning July 1, 1974, by \$1,676,340 in the Province of Alberta, and \$336,046 in the State of Montana.

7. That the actual cost and volumes of gas purchased from all sources in the preceding month will be reported to the Commission by the Applicant before the 15th day of the following month.

8. That the actual royalty costs and volumes of gas produced from all sources in the preceding month will be reported to the Commission by the Applicant before the 15th day of the following month.

9. That the actual increase or decrease after July 1, 1974, in Applicant's cost of purchased gas and royalty expense on the gas supply for its market in Montana shall be assigned to all customers of the Applicant which include residential, non-residential, interruptible industrial contract customers, small utility contract customers, and Great Falls Gas Company.

10. That the base price to be used in computing increases and decreases in the cost of purchased gas in Canada will be 23.934 per MCF, this base having been arrived at for the purposes of Order No. 4114, and said base price will continue to be used in computing the increase for Applicant's non-residential and interruptible industrial customers and the Great Falls Gas contract customers. Witness Heidt, testifying in support of Exhibit 7, stated the estimated price of purchased Montana gas for June 1974, would be 12.784 per MCF and testified that Applicant would file the actual cost figure for the month of June which has been filed with the Commission showing the actual purchased Montana gas cost to be 13.75 224 per MCF. Witness Heidt's Exhibit 7 sets forth the base royalty cost of Canadian produced gas to be 4.024 per MCF and the base royalty cost of Montana produced

gas to be 2.084 per MCF.

11. In computing the increases or decreases in cost of purchased Canadian gas applicable to Applicant's non-residential and interruptible industrial customers and Great Falls Gas nonresidential and contract customers, Applicant will assign the total increased cost level as of June 30, 1974, of Canadian purchased gas over the foregoing base price to such customers; and in addition, Applicant will assign to these customers any increases or decreases in the cost of purchased Canadian gas after July 1, 1974, in the cost of purchased Montana gas over the base price of 13.754224 per MCF, in the royalty cost of Canadian produced gas over the base cost of 4.024 per MCF, and in the royalty cost of Montana produced gas over the base cost of 2.084 per MCF on a pro-rata basis with all the customers of Applicant and Great Falls Gas Company.

In computing the increases or decreases of the purchased gas costs and royalty expense from Canadian sources and Montana sources after July 1, 1974, applicable to Applicant's residential and small utility contract customers and Great Falls Gas residential customers, Applicant will assign to these customers any increases or decreases in the cost of purchased Canadian gas after July 1, 1974, in the cost of purchased Montana gas over the base price of 13.754224 per MCF, in the royalty cost of Canadian produced gas over the base cost of 4.024 per MCF, and in the royalty cost of Montana produced gas over the base cost of 2.084 per MCF on a pro-rata basis with all the customers of Applicant and Great Falls Gas Company.

12. That the increase or decrease as computed monthly for the cost of purchased gas in Canada and Montana and the royalty expense of gas produced in Canada and Montana will be applied to billings for gas volumes delivered in the preceding month to industrial contract customers, including the contract customers of Great Falls Gas Company, as per filed contracts.

13. That the increase or decrease in both the cost of purchased gas in Canada and Montana and the royalty expenses of gas produced in Canada and Montana which will be assigned to all of Applicant's other customers, residential, non-residential, small utility contract customers, and Great Falls Gas Company, will be computed on the cost of such gas during the month of September. For gas delivered to all these customers (except those covered by Finding of Fact No. 12), residential, non-residential, small utility contract customers and Great Falls Gas Company, the gas price will be adjusted effective on all meter readings on and after October 1, 1974, and every three months thereafter in the same manner. Applicant will file a rate schedule supplement applicable to its residential and non-residential customers effective with meter readings on and after October 1, 1974. The Company will bill Great Falls Gas Company and its small utility contract customers for amounts payable to the Company and collectible by them effective with meter readings on and after October 1, 1974.

14. The initial volumes in MCF's at 14.9# to be used are Canadian purchased gas 35,760,000, Montana purchased gas 4,894,000, Canadian produced gas 12,902,000, Montana produced gas 8,892,000. The delivery volume, in MCF's at 14.9# is 57,760,238 total, and that the dollars involved will be determined upon receipt of the monthly reports from the Company as ordered by the Commission. The projected Canadian purchased gas volumes will be reduced to 34,760,000 MCF to reflect an estimated net injection to storage of 1,000,000 MCF.

15. That the results of the period ending June 30, 1974 covered in Order No. 4114, Docket No. 6193, reveal that after deleting a net injection to storage of 3,095,668 MCF, the actual purchased Canadian gas amounted to 32,298,595 MCF. The projected market used in the same period was 38,845,891 MCF. However, sales were 37,684,849 MCF. After reconciling the net Canadian purchases and the market shortfall, \$275,000, as an advance payment, will be deducted from the amount of dollars

projected to be recovered under this order.

16. That base purchased gas and produced gas supply volumes reflecting storage as projected for computation purposes will be adjusted quarterly based on Applicant's actual supply conditions as reported to the Commission monthly.

17. That the actual volumes of gas delivered to its customers will be reported by Applicant to the Commission each month.

18. That base market sales volumes as projected for computation purposes will be adjusted quarterly based on Applicant's actual market conditions as reported monthly to the Commission.

19. That the increased costs resulting from purchased gas expense and royalty expense on and after July 1, 1974, should be reflected equally in increased rates to all classes of customers on an MCF basis.

20. That any decrease in the expense of purchasing gas and royalty payments on and after July 1, 1974, should be reflected equally in decreased rates to all classes of customers on an MCF basis.

21. That any increase in revenue provided for herein will not result in an increase in earnings to the Montana Power Company.

22. That denial of the application would have an extremely harmful effect on the earnings of the Applicant.

23. That the rate structure and rate schedules resulting from this order will be fair, just, reasonable, equitable and non-discriminatory.

CONCLUSION

The Commission concludes that the Application of the Montana Power Company to increase its schedules of rates and charges on an equal MCF basis to all classes of customers so as to recover the increased cost of purchased gas and the increased . . . s cost of royalty payments, both Montana and Canadian, be granted as set forth above and ordered herein below.

O R D E R

NOW, THEREFORE, at a session of the Public Service Commission of the State of Montana, held in its offices at 1227 11th Avenue, Helena, Montana, on August 30, 1974, there being present Commissioners Ernest C. Steel, Robert E. McTaggart and Victor H. Fall, there regularly came before the Commission for final action the matters and things in Docket No. 6221, relating to the application of The Montana Power Company to increase its schedules of rates and charges for natural gas service so as to recover its increased cost of purchased gas in Canada and Montana, and its royalty expense on gas produced in Canada and Montana and the Commission being fully advised in the premises;

IT IS ORDERED that the application of The Montana Power Company, be, and it is hereby granted under the conditions set forth in the Findings of Fact and Conclusions of Law;

IT IS FURTHER ORDERED by the Commission that The Montana Power Company file monthly reports of its cost of purchased gas and royalty expense setting forth the volumes of gas purchased and produced and the cost and royalty expense per MCF from all sources from which purchased and produced gas is obtained, the reports for each month beginning with July of 1974 to be filed on or before the 15th day of the succeeding month;

IT IS FURTHER ORDERED that using the base gas costs, including royalty expense, and volumes of purchased and produced gas set forth in the Findings of Fact and Conclusions of Law above, and using the delivery volumes set

forth in the Findings of Fact and Conclusions of Law above, monthly computations be made to determine any increase or decrease in the costs of purchased and produced gas in Canada and Montana, including the royalty expense, these volumes to be reviewed quarterly;

IT IS FURTHER ORDERED that any increase or decrease in the costs of gas so computed be applied to billings for gas volumes delivered to interruptible industrial contract customers, including Great Falls Gas Company contract customers, in the preceding month beginning with the month of July and any increase or decrease in the costs of gas computed initially for gas delivered during September, 1974, be applied to all of the Company's other customers, residential, non-residential, Great Falls Gas Company, and small utility contract effective with and applicable to all meter readings on and after October 1, 1974, pursuant to a rate schedule supplement to be filed by the Company and which will be adjusted every three months thereafter in the manner set forth above;

IT IS FURTHER ORDERED that any increase so determined to be limited to the delivery volumes set forth in the Findings of Fact and Conclusions of Law. Such delivery volumes will be re-determined every three months thereafter;

IT IS FURTHER ORDERED that the interruptible contracts which have been filed by the Company are approved and the Commission further orders that the interruptible contract customers, for whom contracts have not been filed be billed for natural gas service at the same rates as interruptible contract customers, using comparable volumes, for whom contracts have been filed;

IT IS FURTHER ORDERED that in view of the above, all of the motions taken under advisement by the Commission in this docket are denied;

IT IS FURTHER ORDERED that a full, true and correct copy of this order be sent forthwith by first class United States

mail to the Company and all appearances herein.

The foregoing order was adopted by the Public Service Commission of Montana, with Commissioners Ernest C. Steel, Robert E. McTaggart and Victor H. Fall being present.

DONE IN OPEN SESSION at Helena, Montana this 30th day of August, 1974.

ERNEST C. STEEL, Commissioner

ROBERT E. McTAGGART, Commissioner

VICTOR H. FALL, Commissioner

ATTEST:
GAIL E. BEHAN
Secretary
(Seal)

SPECIAL CONCURRING OPINION OF
COMMISSIONER VICTOR H. FALL

Due to the untimely and sorrowful death of Chairman Louis G. Boedecker, I was appointed to the vacancy existing on the Commission therefrom.

I have reviewed case law relating to my authority to vote on the matters contained in Docket No. 6221. The overwhelming thrust of my review is that I am not only authorized to vote in the matter, after having reviewed the record, but could be compelled to do so.

I have read and reviewed the transcript and the record and exhibits in their entirety, in Docket No. 6221.

I find that in Order No. 4114, the entire burden of the increased cost of purchased gas was passed through to interruptible contract customers, contract customers and nonresidential customers of the Great Falls Gas Company and The Montana Power Company. No part of the increased costs was passed on to the residential customers of the Great Falls Gas Company and The Montana Power Company nor to the small

utility customers of The Montana Power Company by Order No. 4114.

Inasmuch as an equal distribution of projected increased costs to all classes of customers will result in an increase of 17 percent to 20 percent to residential customers, an increase of 17 percent to 30 percent for non-residential customers, an increase of 38 percent for interruptible customers and an increase of nearly 50 percent to small utility customers, I feel that the equal distribution of projected increased costs is the only fair way to proceed.

Combining the equal distribution of costs procedure with Order No. 4114 results in an increase in rates since September 12, 1972, of 17 percent to 20 percent for residential customers, 32 percent to 63 percent for non-residential customers, 83 percent to 90 percent for interruptible customers and nearly 50 percent for small utility customers. This only enhances my belief that an equal distribution of projected increased costs is the only fair way to proceed in Docket No. 6221.

I therefore specially concur in Order No. Docket No. 6221.

VICTOR H. FALL, Commissioner